

Town of Frederick Board of Trustees



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AM 2010-064

A REQUEST BY THE ADMINISTRATIVE SERVICES DEPARTMENT TO ACCEPT AN INSURANCE PROPOSAL FROM ST PAUL TRAVELERS.

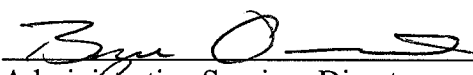
Agenda Date: Town Board Meeting - July 13, 2010

Attachments:

- a. Premium Breakdown analysis from First Main Street
- b. Premium Summary and Provisional Bill

Fiscal Note: The 2010 Budget includes \$124,900 in the General Fund for the payment of Town insurance coverage.


Administrative Services Director

Submitted by: 
Administrative Services Director

Approved for Presentation: 
Town Administrator

AV Use Anticipated Projector _____ Laptop _____

Certification of Board Approval:

Town Clerk

Date

Summary Statement:

First Main Street and Travelers insurance has been committed to providing a comprehensive general liability insurance coverage to the Town while also providing cost savings programs and procedures.

Detail of Issue/Request:

In 2007, the Town went out to bid with First Main Street to explore more cost effective options of the Town's general liability insurance coverage that includes coverage for property (flood/equipment),

crime, inland marine, general liability, employee benefit plans liability, law enforcement liability, public entity management liability, public entity employment liability, auto liability, auto physical damage, and umbrella coverage. Previously, the Town was served by the insurance company VFIS, a leading insurance company in the industry, however, over the course of several years the Town experienced a poor loss history that resulted in higher premiums. Because of the poor loss history and higher premiums with VFIS, the Town received competitive bids from Travelers insurance that resulted in a 15% decrease or a savings of over \$20,000 in premiums. Since the 2007 bid, the Town has been with Travelers insurance and the premiums have remained stable, as the first attachment *Premium Breakdown analysis from First Main Street*, will describe.

The premium increase that the Town will experience this year will only be an approximate increase of 2% or \$2,447. Our worker's compensation, which is part of the Town's total property casualty insurance, is down 8%. As the first attachment details, in 2009-2010 the premium was \$46,879 and the 2010-2011 premium is \$43,021 which tracks with the reduction in our performance rating modification. Overall, the trend line that we are seeing for the Town is heading in a very positive direction. The premium two years ago was almost \$50,000, so our workers compensation continues to get cheaper even though the Town has experienced growth in staff over the last five years.

Additionally, the Town has had a 2 million dollar umbrella at an annual premium cost of \$10,422 for a number of years now. As the Town continues to grow, it would be prudent to look at increasing that umbrella option to 3 million or 4 million in the future. If the Town was to consider increasing the umbrella coverage, which provides excess limits above primary coverage for bodily injury, property damage, personal and advertising injury that result in a catastrophic event, the following breakdown would apply:

2 million:	\$10,422 (Town's Current Premium)	
3 million:	\$11,743 (premium)	Additional \$1,321 per year
4 million:	\$12,473 (premium)	Additional \$2,015 per year
5 million:	\$13,743 (premium)	Additional 3,321 per year

Legal/Political Considerations:

None Applicable.

Alternatives/Options:

Renew the annual insurance coverage from First Main Street from St Paul Travelers for the annual policy coverage. Another option is to not renew the policy coverage with Travelers and First Main Street; however, this will require the Town to go out to bid and possibly experience a lapse in coverage, as the bidding process can be quite time consuming.

Financial Considerations:

This item has already been approved with the passage of the 2010 budget. The money for the renewal of the Town's insurance has been budgeted in the Non-Departmental section of the General fund. The 2010 allocation for the Town's general liability coverage is \$124,900.

Staff Recommendation:

Staff recommends approving the acceptance of the insurance proposal from First Main Street and St Paul Travelers Insurance for the annual general liability coverage. I have dealt with First Main Street and Travelers on a number of issues and on some claims that the Town has had to file, their response and service has clearly exceeded our expectations and has provided the necessary communication to staff and citizens involved on the insurance claim.